

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF PURCHASED GAS)	
ADJUSTMENT FILING OF B & H)	CASE NO. 8735-J
GAS COMPANY)	

O R D E R

On May 31, 1983, the Commission issued its Order in Case No. 8735 approving certain adjustments in rates and providing under certain conditions for the further adjustment of such rates when the wholesale cost of gas is increased or decreased or a refund is received.

On April 18, 1990, B & H Gas Company ("B & H") notified the Commission that its wholesale cost of gas had been increased by its supplier, Bradley and Son Oil and Gas Company ("Bradley"), effective March 13, 1990, and submitted with its notice certain information in compliance with its purchased gas adjustment ("PGA") clause on file with this Commission.

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. B & H's wholesale cost of gas from Bradley has been increased from \$3.00 to \$3.55 per Mcf, effective with a contract executed March 13, 1990. The effect of this increase on retail rates is a 42.26 cent per Mcf increase.

2. As part of its determination of the reasonableness of B & H's proposed rate increase, the Commission considered the

current prices of other wholesale gas supplies in B & H's area. Both Kentucky West Virginia Gas Company and Columbia Gas Transmission Corporation ("Transmission") have Btu-converted rates higher than \$3.55 per Mcf for small distribution companies. Delta Natural Gas Company and Belfry Gas both purchase from wholesale sources whose rates are pegged to Transmission's rates and are approved by the Commission to be passed through to ratepayers in PGA cases. B & H's proposed pass-through of its increased cost of gas does not appear unreasonable in light of this rate comparison. The Commission reminds B & H that it exercises additional oversight in cases such as this where there is a less-than-arms-length transaction, pursuant to KRS 278.274. Because B & H and Bradley are affiliates, any additional increase in rates from Bradley will be scrutinized closely by this Commission for market comparability.

3. Because B & H did not provide 30-days' statutory notice pursuant to KRS 278.180 for its increase in rates, the effective date for the increase should be the date of this Order instead of May 1, 1990, as proposed.

4. B & H's adjustment in rates under the purchased gas adjustment provisions approved by the Commission in its Order in Case No. 8735 dated May 31, 1983 is fair, just, and reasonable, in the public interest, and should be effective with gas supplied on and after the date of this Order.

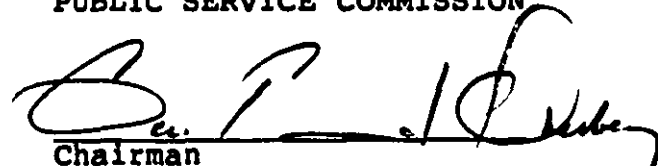
IT IS THEREFORE ORDERED that:

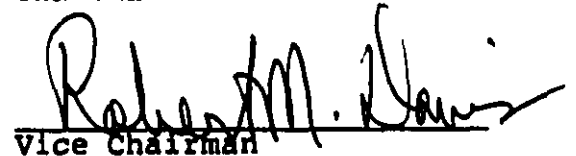
1. The rates in the Appendix to this Order, attached hereto and incorporated herein, are approved effective with gas supplied on and after the date of this Order.

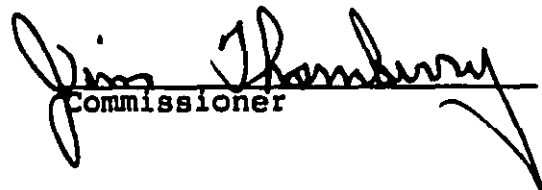
2. Within 30 days of the date of this Order, B & H shall file with this Commission its revised tariffs setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 18th day of May, 1990.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 8735-J DATED 5/18/90

The following rates and charges are prescribed for the customers served by B & H Gas Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

RATES:

First 2 Mcf	\$10.1961 (Minimum Bill)
Next 8 Mcf	4.7760 per Mcf
Next 20 Mcf	4.4542 per Mcf
Over 30 Mcf	4.2610 per Mcf

The base rates for the future application of the purchased gas adjustment clause of B & H Gas Company shall be:

Bradley and Son Oil and Gas	\$3.55 Per Mcf
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